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CALIFORNIA

Lodging

INDUSTRY

Laventhol & Horwath
Certified Public Accountants

1986 Edition

4TH ANNUAL REPORT ON CALIFORNIA HOTEL OPERATIONS

CALIFORNIA LODGING INDUSTRY

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COMMENTS FROM AROUND THE STATE

From the Bay Area

The East Bay area is a large lodging market area stretching from Richmond in the north to Milpitas in the South Bay, and bound by Oakland in the west and Livermore to the east.

The strongest lodging growth here has been seen in the Route 680 corridor between Concord and Pleasanton. Historically a residential suburb to San Francisco, this area has fully emerged as a new major office and financial center of Northern California.

Listed below are a several new hotel rooms under construction, in the final planning stages of development.

This significant number of new listed properties is expected to have a major negative impact on area-wide occupancy levels for the short term. The tremendous growth experienced along the Route 680 corridor over the past five years is expected to slow as office rental rates reach unacceptable highs, financing of new projects becomes increasingly difficult, and cities pass construction moratoriums to curtail infrastructure overload.

Historical growth in the lodging markets along the Route 880 corridor (previously Route 17) from Hayward to Milpitas has been strong due to the development of major business parks there. Historically, there has been a lack of quality full-service lodging facilities. In 1985, however, the supply of guest rooms started catching up with demand with the addition of 623 rooms, and in 1986 another 319 rooms are projected to enter the market.

South Bay area-wide occupancy in 1985 was 73 percent, the same as 1984. The average daily room rate decreased 4 percent, from $50 in 1984 to $48 in 1985. New guest rooms have forced competitive rate discounting, causing this decrease.

South Bay projected additions to the supply will heavily influence future occupancy and average daily rate levels. In 1987, 1,444 additional guest rooms will enter the market followed by 398 and 366 guest rooms to be added in 1988 and 1989, respectively. This dramatic increase in guest rooms accompanied by the slow absorption of commercial office space in the area will soften this market during the next few years.

The Oakland/Berkeley lodging market has shown the only increase in area-wide occupancy in the East Bay area. Estimated year-end occupancy reached 75 percent in 1985, up from 70 percent in 1984. This increase in area-wide occupancy occurred with no change in average daily room rate. An additional 489 first-class guest rooms are anticipated to open in 1986, and no plans for hotel development are scheduled for 1987. Oakland International Airport hotels are expected to experience a decrease in occupancies as a result of decreased airline traffic. Planned develop-

East Bay Area
(Additions)

Property	Location	Rooms	Opening
Marriott Courtyard	Pleasanton	148	1986
Hilton	Pleasanton	298	1986
Sheraton	Pleasanton	216	1986
Holiday Inn	Pleasanton	248	1986
(Compri)	Pleasanton	174	1986
Lafayette Park	Lafayette	140	1986
Quality Inn	Walnut Creek	165	1986
Ramada Renaissance	Walnut Creek	343	1987
Marriott	San Ramon	350	1988
Raffles Suites	Livermore	180	1988
Red Lion	Concord	400	1989

ment of the Oakland City Center and Chinatown project will strengthen downtown Oakland's ability to accommodate group and tourist demand over the next two to three years.

From Los Angeles

Economic Assumptions: The outlook for the Los Angeles lodging market is for moderate economic growth of approximately 4 to 5 percent. We believe there will be certain lodging markets that will be oversupplied for the next two to three years. We are assuming modest inflation of approximately 5 percent for the next two years and then perhaps something slightly greater in succeeding years. Recognizing the changes due to revisions in tax legislation, we believe there will be increased tax deals prepared during 1986 that will not be grandfathered into any tax changes. The greater Los Angeles market area is well diversified and we do not anticipate any significant economic slowdown. Los Angeles should continue to benefit from investments made by citizens of Pacific Rim countries in real estate ventures in the United States, specifically Southern California.

Average Rate Performance: During the 1984 to 1985 period, average rates in the Los Angeles lodging market increased approximately 5 to 8 percent and have reached approximately a $73 to $75 range. We anticipate that in the next few years, the average rate increases will be in the 5 to 7 percent range, given the significant number of new hotel rooms that are either under construction or about to open during this period.

New Hotel Developments: During the last several years, over 3,000 hotel rooms have come on the market and currently there are well over 4,500 rooms under construction, many of which should be completed by early 1987. Lodging markets that are experiencing significant development activity are West Los Angeles, Los Angeles International Airport, downtown Los Angeles and Long Beach.

West Los Angeles: The market area, which includes Beverly Hills, Century City, West Hollywood, West Los Angeles and Westwood, is one of the premier markets in Los Angeles County. This area's hotels have historically performed better than other hotels in Los Angeles, both in occupancy and average rate, although 1985 saw slight declines in the market. The area contains all of Los Angeles' luxury hotels including, among others, the Hotel Bel Air, the Beverly Hills Hotel and L'Ermitage. The market is proximate to top retail and entertainment sectors in Los Angeles as well as the city's haute cuisine restaurants. The major demand generators include companies involved in the entertainment and advertising industries as well as some Fortune 1000 corporations.

The Westside Los Angeles market area experienced a 1985 estimated occupancy of approximately 66 percent, which was a 5-point decrease from 1984 levels. Between 1984 and 1985, however, there was a 4 percent increase in accommodated demand, which represents moderate growth in the market. This market is divided into three segments: luxury, deluxe and first-class. The deluxe segment declined in occupancy from 69 percent in 1984 to 61 percent in 1985. The luxury segment declined from 75 percent in 1984 to 71 percent in 1985, while the first-class segment declined from 71 percent in 1984 to 69 percent in 1985.

The overall decline in the market's occupancy was a result of changes in both the national and local economies. The strong dollar has curtailed some travel to the U.S., including Los Angeles. International tourists are traveling elsewhere and the international commercial travelers are not spending as much time in Los Angeles compared with recent years. Historically, the market has benefited from foreign travelers due to the market's proximity to major business and entertainment centers in Los Angeles.

There was only one major addition to supply during 1985 in this market. The Century Plaza opened a 322-room tower adjacent to its existing property, bringing the total room count to 1,072 rooms. However, there were four additional properties and two additions to existing properties that occurred during 1984. The market was still feeling the effects of these properties as their management attempted to increase market share in spite of lower rates of increase in total demand.

In the future, this market will continue to experience supply additions, most of which will be located in Los Angeles and West Hollywood. The City of Beverly Hills has strict height limitations that effectively prohibit future hotel development. In 1986, L'Ermitage Hotel Group will open two additional suite hotels in West Hollywood, bringing the group's total to seven hotels (six located in West Hollywood and one in Beverly Hills) with 1,064 rooms. No other hotels will open during the balance of 1986 in this market. The dollar is expected to weaken and, as a result, the demand will increase during the year, with occupancy expected to increase approximately 3 points to 69 percent for 1986.

Beyond 1986, future supply will include the 311-room La Maison Hotel to be operated by Sofitel, located in Los Angeles, immediately adjacent to West Hollywood; a 375-room luxury hotel reputed to be operated by Four Seasons, located in Los Angeles, directly across from the City of Beverly Hills, and an 81-room St. James Club located in West

South Bay Area
(Additions)

Property	Location	Number of Rooms	Projected Opening Date
Woodfin Suites	Newark	144	1986
Brookside Hotel	Newark	100	1986
Comfort Inn	Milpitas	53	1986
Quality Inn	Fremont	115	1986
Best Western	Union City	70	1987
Marriott Courtyard	Fremont	148	1987
Sixpence Inn	Fremont	214	1987
Quality Suites	Fremont	216	1987
Embassy Suites	Milpitas	260	1987
Holiday Inn	Milpitas	315	1987
Sheraton	Milpitas	231	1987

Hollywood. The club will be a rehabilitation of the famous Sunset Towers Apartments. This will be a luxury product and will be modeled after the St. James Clubs in London and Antigua. Construction of all three hotels has begun; they are expected to enter the market in 1987 or 1988. The Beverly Willshire Hotel was sold to Regent International and it is expected that the hotel will undergo a major renovation in the near future.

The market area's average daily rate was $115 in 1985, an approximate 1 percent decrease from the average rate of $113.75 in 1984. The decline in rate was a result of the rate decrease in the deluxe segment, since the luxury and first-class segments experienced slight rate increases. It is expected that the 1986 rate will increase approximately 5 to 7 percent.

Los Angeles International Airport: The Los Angeles International Airport market area is an integral segment of the greater Los Angeles area. It is a primary point of entry to Southern California for commercial travelers and tourists alike, home to large aerospace and defense-related corporations as well as small-to-medium-sized airport, aerospace and service-oriented firms. In addition, it is the destination point for companies and associations that find airport area hotels a convenient location for meetings and conventions.

The area continues to grow as tenants occupy office space located just east of the airport (completed within the last two years); multi-use developments are proposed for areas both to the north and south of the airport. Traffic congestion will be lessened and transportation to the area will be facilitated with the opening of the Century Freeway in 1992.

The airport market area's 18 hotels, with 8,823 rooms, achieved an occupancy level of approximately 73 percent in 1985. This areawide occupancy level is identical to the 1984 occupancy level. Actual accommodated demand, however, increased approximately 7 percent. The market area's available room nights also increased 7 percent during the same time period: the 350-unit Embassy Suites Hotel opened August 1, 1985 and the 615-room Crowne Plaza Hotel completed its first full year of operation in 1985. Therefore, in 1985, the growth in rooms demand kept pace with the increased supply of guest rooms.

The average daily rate in the airport market area increased a modest 1 percent from $59.75 in 1984 to $60.25 in 1985. Last year's minimal rate increase reflects the moderation of room rates after the high rates achieved in 1984 due to the Summer Olympic Games. Future increases in the areawide average rate per occupied room are expected to be constrained by the substantial level of new rooms entering the lodging market within the next two years and the inhibiting effect of airline crew contract rates.

Properties under construction and proposed for the area include:

- The 176-unit Residence Inn is currently open with 60 suites available. The remaining rooms are expected to be completed during 1986;
- the 750-room Stouffer's Concourse is expected to open in 1986;
- the 400-room Radison Plaza is expected to open in 1986;
- the 216-room Doubletree (Compri) is proposed, with construction expected to begin in 1986, and
- the 146-room Marriott Courtyard is planned with construction expected to begin in 1986.

Preliminary plans exist for four or five additional hotels.

Downtown Los Angeles: The downtown Los Angeles market area is increasingly becoming a focal point for international finance and trade. It is also a major center for state, regional and national commercial activity. Due to its geographic location and the increasing number of financial institutions in the area, many corporations have chosen downtown Los Angeles as the site for their headquarters. The result is a diversified economic base.

Office development in downtown Los Angeles has increased tremendously during the past few years. In 1985, there were approximately 24.9 million square feet of office space and there are approximately 1.3 million square feet of office space scheduled for completion during 1986. As newly constructed office space became available, the vacancy rate for downtown office facilities increased approximately 13 percent in 1985 from about 8 percent in 1984.

The downtown Los Angeles market is divided into two segments: first-class and moderate. First-class facilities (six hotels and 4,027 guest rooms) experienced an increase in occupancy from 63 percent in 1984 to 68 percent in 1985. The moderate segment (seven hotels, 1,458 guest rooms) experienced a decline in occupancy from 56 percent in 1984 to 52 percent in 1985.

The increase in the first-class segment's occupancy was a result of a decrease in the rooms supply along with an increase in rooms demand as new office space became available. In 1985, the Biltmore Hotel began a complete renovation which will be completed by early 1986. The Biltmore Hotel had approximately 512 rooms available in 1985, compared with 1,022 rooms in 1984. The renovated Biltmore Hotel will have 728 rooms. Renovation of guest rooms and meeting facilities is underway at the Los Angeles Hilton and is expected to be completed by October 1986. The Los Angeles Hilton had approximately 800 rooms available in 1985, compared with 1,165 in 1984. The renovated Los Angeles Hilton will have 915 rooms.

The moderate segment's occupancy decline reflects the more realistic occupancy level for this segment after the higher levels achieved in 1984 due to the Summer Olympic Games.

Properties under construction and proposed for the area include:

- The 192-room Mayflower Hotel, currently closed for renovation. The facility will be upgraded to accommodate luxury demand and is expected to be completed by 1987;
- a proposed 398-room hotel, which will be part of the California Plaza mixed-use development in the Bunker Hill area, is expected to be open by 1988;
- a proposed 500-room hotel, which will be part of a mixed-use development project located at the north end of Pershing Square on 5th Street, is expected to be open by 1988;
- a proposed 337-unit Embassy Suites is expected to be open in 1988;
- a 178-room Best Western in Little Tokyo is expected to be completed during 1986, and
- a proposed 295-room Holiday Inn is expected to open in 1987.

The first-class segment's average daily rate was $79.25 in 1985, a slight decrease from the average daily rate of $79.50 in 1984. The moderate segment's average daily rate was approximately $48.75 in 1985 compared with $48.50 in 1984.

Long Beach: The City of Long Beach is undergoing a major development of its downtown area. Since 1980, the supply of first-class office space has increased by 70 percent, with the addition of over 2.4 million square feet of space. There are 10 general office space developments with a total of 2.2 million square feet planned or proposed for development during the 1985 to 1990 period.

The Long Beach market area's eight hotels, with 2,132 guest rooms, achieved an occupancy level of approximately 81 percent in 1985. This was approximately a 4 percent increase over the 1984 level of 78 percent. This increase was due to the increased attractiveness of Long Beach as an oceanside office community and its increased development as a major commercial center.

The average daily rate in the Long Beach market area increased about 3 percent from $66 in 1984 to $68.25 in 1985. This modest increase reflects the moderation of room rates after the high rates achieved in 1984 due to the Summer Olympic Games.

Properties under construction and proposed for the area include:

- The 375-room Ramada Renaissance, which was scheduled to open in August 1986;
- the 313-room Marriott Hotel which is expected to open in January 1987;
- the proposed 484-room Sheraton Hotel which is expected to open in early 1988, and
- the proposed 528-room Westin Hotel which is expected to open in late 1988/early 1989.
- Preliminary plans exist for two additional hotels.

Development Trends: There will be continued product segmentation, particularly in the secondary and tertiary markets. Because of the tremendous increase in the number of rooms that are currently under construction in Los Angeles, we believe that additional hotel development will be scrutinized much more closely and lenders are going to be insisting upon economically justified projects. With the increased competition, we anticipate increased levels of operational analysis and management contract evaluations in order to improve performance and squeeze out additional profit margins. Hotel operators are emphasizing the need to produce increased profit margins for food and beverage outlets. This trend will likely continue throughout the decade since there will be increased pressures to provide higher levels of profit. Finally, we believe that there will be more tailoring of guest services and facilities based upon market-driven elements. There will be a continuing focus on the utilization of the most appropriate guest facilities driven by the high cost of construction.

From the Monterey Peninsula

In July, 1984 the city of Monterey enacted a nine-month moratorium on the issuance of development permits for hotels/motels. The primary concern has been the impact of lodging development on the city's increasing traffic and parking requirements, limited water and sewer capacities, as well as its impact on the historically attractive environment that is the primary draw for tourists to the Peninsula.

Exempted from this moratorium were hotel projects under construction and others already approved by the city, and additions and alterations to existing hotels and motels that would not increase the total number of rooms. The purpose of the moratorium was to provide time to analyze the potential impact of new hotel/motel development. At the end of the moratorium, the city would then use the information to formulate new policies directed at mitigating any potential impact identified in their study.

In the beginning of 1985 there were approximately 170 hotels/motels in the Monterey Peninsular area, with over 7,000 rooms. These facilities cover a wide range of product type, from smaller "Mom and Pop" motels to first-class, full-service luxury resorts. Many of the resorts, such as the Lodge at Pebble Beach, Quail Lodge and the Hyatt Regency, offer championship quality golf courses, a variety of food and beverage facilities and first-class meeting space. This lodging market captures demand from three primary sources: commercial, group and convention guests, tourists and others. Due to this overall appeal and excellent climatic conditions, lodging facilities on the Peninsula have consistently enjoyed occupancy levels above the 70 percentile. About one half of the rooms offer published rates between $55-$95/double occupancy. About 30 percent of the rooms offer rates over $95/night. The remainder of the rooms in the supply are sold for less than $45/night.

In 1985 the big news on Cannery Row in Monterey was the opening of the 291-room Monterey Plaza Hotel located right on the Pacific Ocean front. To date, this is the largest hotel development on the continually revitalized Cannery Row and will offer an alternative to the group meeting segment, which in the past has taken its business to the large hotels in the downtown area such as the Doubletree or Sheraton, or the destination resorts, such as the Lodge at Pebble Beach or the Hyatt Regency in Monterey.

Overall, the total number of rooms on the Monterey Peninsula area is estimated to increase from 7,334 in 1984 to over 9,000 by 1990. Overnight visitors are estimated to increase from approximately 1,800,000 to 2,200,000 for the same period.

Due to unsurpassed natural beauty, excellent climate conditions and proximity to major demand generators, the Monterey Peninsula has historically been a primary choice destination resort for many travelers. With the addition of first-class, convention-oriented hotels, demand from the group-meeting segment has increased steadily over the past few years. The future outlook is bright for the lodging industry here.

From Sacramento

Sacramento, historically known as a strong lodging market, has once again demonstrated its ability to absorb new hotel properties with little or no effect on occupancy levels. In spite of the opening of the 334-room Hilton on Highway 80 and the 127-room Best Western Heritage Inn in the Rancho Cordova area in 1985, occupancy levels reached 73 percent, 2 points higher than the 1984 levels. Average daily rates also increased to $56, an 8 percent increase over those reported in 1984.

The strongest growth in the Sacramento lodging area is east of downtown along Highway 5. This area, known as Rancho Cordova, is experiencing tremendous growth in new office and commercial space, which has resulted in significant generation of hotel rooms demand from the commercial and corporate-group market segments. In response to this high growth, several hotels have

Rancho Cordova
(Additions)

Property	Number of Rooms	Projected Opening Date
Days Inn	131	1986
Sheraton Sunrise	265	1986
Marriott Courtyard	148	1987
(Compri)	188	1987

begun construction or are in the final planning stages of new hotel properties.

While most of the growth is isolated to the Rancho Cordova area, there is lodging development taking place in the downtown and Highway 80 areas. The Residence Inn is expected to open in mid-1986 along Highway 80 with 176 rooms, and the Hyatt Regency Hotel downtown is now planned to open in mid-1989. There has also been discussion regarding the expansion of the downtown convention center in an effort to make Sacramento more competitive with other California cities; however, these plans are in the preliminary stages and not expected to materialize in the next two to three years.

As in most markets, this large addition to supply within a relatively short period of time is expected to result in reduced area-wide occupancy levels. However, development in the overall Sacramento area, and resultant increases in lodging demand, is expected to catch up with supply, resulting in strong operating performance three to five years out.

From San Diego

San Diego's lodging market continued to be strong with respect to both the countywide occupancy percentage for 1985 and growth in average daily room rate. Occupancy for 1985 remained stable and closely parallel to the year end 1984 San Diego areawide occupancy of 75.9 percent.

Although demand for lodging continues to be strong, the proposed, planned and under construction hotel projects will initiate both a change in current occupancy percentage and a shifting in the marketplace. Traditionally, San Diego's inventory of hotel rooms has been dominated by smaller and older nonaffiliated properties that have enjoyed the luxury of both high occupancies and premium rate increases. The addition of modern flag-bearing products now entering the market may serve to tier the competition and, in some cases, displace demand for older products rather than add to the rooms base.

Nationally affiliated properties that have entered the market recently, have proposed or planned projects, or are currently examining prospective sites include: InterContinental, Radisson, Marriott, Hyatt with their Regency project, Residence Inn, Embassy Suites, Lexington Suites, Omni International, Stouffer Hilton, Meridien, Clarion, Royce, and Doubletree with both the Compri and traditional project.

The development of business parks centered around high-technology research and development, along with the construction of traditional office and retail space, illustrates a strong interest in San Diego County for both corporate headquarters and satellite offices. The revitalization of downtown, as seen through the opening of Horton Plaza as a major retail center, and the expansion and development of downtown attractions, represent the strength of investment in the downtown area. With the addition of a new cruise ship terminal and major development occurring along the waterfront, interest in the downtown area as a tourist demand generator is constantly growing.

Currently under construction is the San Diego Convention Center which would contain 250,000 square feet of exhibit space and 100,000 square feet of meeting and banquet space. Construction of the waterfront center began in late 1985 and completion is set for mid-to-late 1989. The development of this center, along with the major projects around it, should quickly enable San Diego to effectively compete with other major destination tourist and convention cities.

With the growing recognition of San Diego as a maturing market, developers are recognizing that the resort market is undersupplied for an area with such extensive assets. Several new destination resorts are planned and could be expected to find market support. With the uncertainty regarding travel abroad constantly increasing, destination tourist travel within the continental United States is increasing and San Diego should benefit from this trend.

San Diego County
(Occupancy and Average Rate—Year-End 1985 and 1984)

San Diego Trend Zones	Year-End Occupancy		Year-End Average Rate	
	1985	1984	1985	1984
All Zones	75.7%	75.9%	$67.41	$63.39
Downtown	73.0	70.1	70.46	64.59
Bay Area	79.0	79.8	85.94	80.36
Mission Valley	77.5	77.9	53.28	50.51
La Jolla	76.4	78.0	74.84	71.55
North County	67.4	67.5	81.82	78.02
South Bay	72.9	73.7	33.84	33.00
Other	72.5	75.1	38.46	35.92

San Diego County
(First-Class Hotel Projects
Existing and Additions to Supply)

	1986	1987
Existing Base	28,980	31,649
Downtown	494	213
Bay Area	353	—
Mission Valley	252	451
La Jolla	648	335
North County	503	774
South Bay	316	—
Other	103	630
Total Additions	**2,669**	**2,403**
Total Supply	**31,649**	**34,052**

From a hotel development perspective, San Diego is going through a transformation that will change its image to a dynamic city able to compete strongly on a national basis with all other major lodging markets.

Judith S. Fabion
San Diego

From San Francisco

In 1985 San Francisco's major first-class hotels achieved a city-wide occupancy of approximately 71 percent, a decrease of 2 percentage points from 1984 levels. City-wide occupancy levels have been decreasing from 1980 through 1985, primarily as a result of increases in the supply of rooms rather than diminishing demand. During 1985, San Francisco occupancy levels were impacted most dramatically by the 1,015-room Ramada Renaissance which opened during the final quarter of 1984.

Annual average daily room rate increases for San Francisco's first-class hotels have kept pace with yearly inflation rates from 1980 through 1985, reaching $100 for the year ended 1985.

Five major hotels are in various phases of construction with expected completion dates between 1987 and 1990; this will add approximately 2,900 first-class rooms to the market area (a 20 percent increase). The 160-room Mandarin Hotel, located atop the 750,000-square-foot California Center Building and scheduled to open in early 1987, and the 363-room Embarcadero Hotel, which is expected to open by year-end of 1988, will be located in San Francisco's financial district. In 1987, the 348-room Portman Hotel and the 529-room Nikko Hotel will open in the Union Square area. The 1,500-room Marriott Marquis is scheduled for completion adjacent to the George M. Moscone Convention Center in the fourth quarter of 1989. The Marriott Marquis will compliment the existing convention center facilities with approximately 100,000 square feet of meeting space. In addition to these new hotels, the 1,700-room San Francisco Hilton Hotel and Tower is undergoing extensive interior and exterior renovation that will result in the addition of 215 net guest rooms (400 "new" rooms) and 50,000 square feet of additional meeting space during 1988.

Although the actual number of large meetings and conventions in 1985 declined from 1984 levels, the registered convention delegates continued to increase. In our opinion, San Francisco will remain a popular destination with meeting and convention planners, yet the lack of meeting and exhibition space ultimately will limit its ability to accommodate these large and frequent city-wide conventions during the next several years. The proposed expansion of the George M. Moscone Center, now scheduled for completion in 1992, combined with the planned meeting facilities of the Marriott Marquis and additions to the San Francisco Hilton, will improve San Francisco's capacity for attracting large conventions.

The commercial segment of demand (which is now the largest) increased in 1985 and is expected to grow at moderate levels during the next several years. Although the "Downtown Plan," which recently became law, limits future increases in office space to 950,000 square feet annually over the next three years, it will not affect the approximate 14 million square feet of space already planned or under construction in San Francisco. On a very positive note, the San Francisco tourist industry-oriented rooms demand finished strong in 1985 after four consecutive flat years.

The San Francisco lodging market will experience continued growth in all segments of demand during the next several years. However, with the large additions of guests rooms, occupancy levels are expected to soften through 1989. Because of this increased competition among the new and existing San Francisco hotels is anticipated to reduce the real growth in average daily room rate averages.

From the San Francisco Airport

The San Francisco Airport lodging market has enjoyed several consecutive years of high occupancy levels and steadily increasing average daily rates. Strong economic growth within San Mateo County and significant new development of office and commercial space continued to absorb the additions of new hotel rooms with little or no effect on the overall operating performance of the market.

These years of balance may be coming to an end, however. In 1985, area-wide market occupancy levels were 74 percent, a decline of 4 points from 1984 levels, while average daily rates remained relatively constant. The outlook for 1986 through 1988 is equal to 1985 as the market will experience confirmed additions to the lodging stock in excess of 4,000 rooms, an increase of 85 percent over the existing 4,700 rooms in the market.

Scheduled to open in 1986 is the 690-room Marriott in Millbrae, a 311-room Embassy Suites, a 305-room Hotel Ibis in Burlingame and a 246-room Holiday Inn in Foster City.

On the positive side, the San Francisco Airport area is expected to continue growing at relatively strong rates as several major office parks continue their buildout and absorption. This growth is not, however, projected to be sufficient enough to support the tremendous additions to supply on an equivalent basis. Competition among the airport hotels therefore is expected to be high with an anticipated impact on both occupancy and average daily rate.

San Francisco Airport Area
(Under Construction)

Property	Location	Rooms	Opening
Embassy Suites	S. San Francisco	311	1987
Airport Exec. Inn (Addition)	S. San Francisco	100	1987
Marriott Courtyard	San Bruno	147	1987
Sofitel	Redwood Shores	324	1987
LaQuinta	S. San Francisco	174	1987
Marriott Courtyard	Foster City	147	1987
Westin Hotel	Millbrae	400	1988
Hyatt Regency (Addition)	Burlingame	494	1988

From the Silicon Valley

The Silicon Valley lodging market encompasses the cities of Mountain View, Cupertino, Sunnyvale, Santa Clara and San Jose as well as communities south of San Jose including Morgan Hill and Gilroy. Due to the heavy concentration of high-tech electronics and computer-based companies in this area 40 miles south of San Francisco, it was dubbed the "Silicon Valley," and historically has encountered very strong economic growth that has impacted the lodging industry positively.

In 1985, the semi-conductor chip industries experienced an economic downturn, forcing layoffs and spending cutbacks at many of the Valley's companies. This downturn was caused by unsold high inventories of computer chips and increased Japanese competition. It is not the first downturn the Valley's high-tech electronics industry has experienced, but it is the first time the area's lodging market has been affected. Area-wide occupancy levels for first-class hotels dropped from 79 percent in 1984 to 73 percent in 1985. A portion of the drop is attributed to increased supply.

Fortunately, hotels in the Silicon Valley realized healthy growth in room rates for the same period. The area-wide annual average daily room rate increased from $77 in 1984 to $83.75 by year-end 1985.

As indicated, several new properties entered the market in 1985, further diluting demand for first-class lodging facilities. The Woodmark Hotel, located in Santa Clara, opened in July. This 60-room property offers large, upscale guest rooms and a complimentary continental breakfast. The Residence Inn (II), located in Sunnyvale, opened in May. This 248-suite facility was expected to enter the market at a higher-than-average daily room rate and a similar occupancy to that of the area-wide average. This is due to the success of the Residence Inn (I) and the other all-suite products in the Silicon Valley.

The Embassy Suites, located in Santa Clara, is a 257-room, all-suite facility which opened in August and has been capitalizing on this phenomenon.

The electronics industry is expected to rebound in 1986 and thereafter. Many companies are shifting their emphasis toward defense contracting as the Pentagon increases its military electronics spending. Other government projectionist measures may help the U.S. semiconductor industry compete more effectively with the Japanese. It appears there will be a renewed interest in research and development by Valley companies and less emphasis on manufacturing.

As the Silicon Valley economy starts to grow again in 1986 and thereafter, lodging demand should increase with resulting increases in area-wide occupancy levels. A number of new projects (outlined in the accompanying chart) are slated to enter the market area over the next few years. It is anticipated that this upturn in economic growth in 1986 will offset this supply increase.

Two developments should enhance the growth of the lodging industry in the Silicon Valley: the Santa Clara Conference Center and the San Jose Convention Center Expansion. These two projects are planned to be completed in late 1986 and 1988, respectively. They will add a combined total of approximately 250,000 square feet of exhibit space as well as meeting space, to accommodate demand anticipated from the convention/group market segment.

The outlook for the Silicon Valley lodging market is positive. Every indicator points to renewed economic growth over the next few years. We anticipate that the Silicon Valley will retain its standing as one of the strongest lodging markets in Northern California.

From the Wine Country

Literally hundreds of beautiful wineries and vineyards are located in Northern California. The Napa and Sonoma Valleys, specifically, have become major tourist attractions not only for tourists from around the world, but also for visitors from nearby cities who are seeking ideal weekend getaway locations. For this reason, the Wine Country has become a major lodging market area.

When analyzing this Wine Country market, we normally separate Napa Valley statistics from those of Sonoma Valley. This is due to a difference in the market segments captured by both. However both areas contain a variety of lodging facilities, from quaint bed and breakfast inns to recently opened full-service hotels.

Because most of the better-known wineries are actually located in Napa, the majority of lodging demand there has historically been from the tourist segment. However, in recent years we have seen an increase in the number of commercial travelers to Napa, as well as demand from the convention/group meeting guests segment.

The Silverado Country Club and Resort in Napa captures a majority of demand from the group segment. This first-class resort is comprised of 270 residential condominiums and a main hotel building with a total of salable 450 rooms. The

Silicon Valley
(Projected New Hotel Potential Developments—1987–1990)

Property	Estimated Number of Rooms	Location	Estimated Opening Date
Doubletree	502	Santa Clara	Late 1986
Ramada Inn	242	Santa Clara	March 1987
Marriott	400	Cupertino	1988
Marriott Courtyard	149	Cupertino	1988
Fairmont	581	San Jose	1988
Doubletree Suites	240	Cupertino	1989
Vidovich	120	Cupertino	1987
Cupertino Inn	126	Cupertino	Late 1987
Saint Claire Hilton	100	San Jose	January 1990
Ramada Inn	180	Sunnyvale	March 1987
East Hotel	350	San Jose	July 1989
West Hotel	300	San Jose	1989

Source: Laventhol & Horwath

property has 14,000 square feet of meeting space, three food and beverage outlets and two 18-hole golf courses. Silverado has enjoyed occupancy levels above the area-wide level for the past several years.

The Meadowood Resort, in Northern Napa's St. Helena opened in 1984 with approximately 47 deluxe rooms. A recent expansion brought the total number to 70. Meadowood caters to the nonprice-sensitive individual and group-oriented traveler, with published rates ranging from $95 for a studio, to $125 for a suite with a fireplace.

Area-wide occupancy for first-class properties in the Napa Valley decreased from 71 percent in 1984 to approximately 65 percent in 1985. We believe this drop in occupancy is due to the increase in overall supply of guest rooms to the market area (i.e., full-service, limited-service and bed and breakfast facilities), diluting demand during a rather flat year with respect to economic growth.

The Sonoma Mission Inn, located in the city of Sonoma, is now well known for its new spa facilities. This 98-room luxury facility caters to upscale, nonprice-sensitive individual, commercial and group-oriented travelers. The Inn is planning an expansion and renovation which would bring its total number of rooms to 160. This renovation is expected to be completed by mid to late 1986. The majority of the remaining properties in Sonoma cater to the more price-sensitive travelers.

Much of the commercial demand in the Wine Country is generated from nearby Santa Rosa, the county seat of Sonoma County. In the 1950s and 1960s, Santa Rosa housed the majority of lodging facilities catering to the Wine Country visitors. As the area grew in popularity as a destination resort, lodging development began to occur more proximate to the wineries in Napa and Sonoma, thereby drawing tourists away from lodging facilities in Santa Rosa. In recent years, available land at affordable prices has caused commercial businesses to relocate or develop in Santa Rosa. The resultant demand for lodging from the commercial segment has helped hotels in this area maintain acceptable occupancy levels. Recent additions to the hotel supply in Santa Rosa, however, have challenged older competitors in capturing a somewhat limited demand.

The 252-room Sheraton Round Barn Inn, which opened in 1984, is one of the newer first-class properties to enter the market. This facility has approximately 8,000 square feet of meeting space and caters to the commercial and group-meeting segments as well as tourists.

The proposed 150-room Fountaingrove Resort near the Sheraton is planned to be a luxury hotel and spa, catering to the convention and group-meeting segment. It is slated to open in 1989. An 18-hole championship golf course has been completed and tennis courts are currently under construction.

The Wine Country lodging market has experienced decreasing occupancies area wide, due to moderate growth in demand and increasing supply. In 1985 approximately 1,000 rooms of all types (budget, limited-service, full-service, deluxe) have either opened or begun construction in the Santa Rosa, Windsor and Healdsburg environs. However, with the addition of more first-class lodging facilities offering state-of-the-art meeting facilities, the Wine Country can offer a viable destination alternative to the commercial, convention and group-meeting segments. In addition, the number of tourist visitors to the Wine Country has been on the rise. As long as hotel supply stabilizes in the short term, the outlook for the Wine Country lodging market will be optimistic for the next few years.

THE CALIFORNIA LODGING INDUSTRY—1985

by Jamie B. Mandell
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The *1986 California Lodging Industry* study is Laventhol & Horwath's fourth annual in-depth analysis on this segment of the industry. The data in this series of reports allows an understanding of the operating characteristics of the California lodging market for the preceding year and is useful for analyzing trends in revenue and expenses over successive time periods. Due to the rapidly changing nature of the lodging industry and the continued need for guidelines on which to base the future success and growth of the industry, this report is one of the most authoritative sources of information available today on the California lodging industry.

The information contained in this study has been derived from contributors to the 1986 editions of Laventhol & Horwath's *U.S. Lodging Industry, Economy/Limited-Service Lodging Industry* and *All-Suite Lodging Industry* reports. In our continuing efforts to enhance the quality and applicability of this study, a number of exhibits have been altered. With these changes in mind, the reader should be careful when comparing this report to previous editions.

The ratios and amounts contained in this report can be used for comparing operating results for a specific establishment versus those properties similar in nature. The results presented in this report should not be assumed as standards for any category, but rather as a statistical base for comparison purposes only. They are not an attempt by L&H to set or conform prices or operating ratios for the lodging industry.

All data and information in this report is based upon a representative sample of lodging properties throughout the state of California—where total revenues were in excess of $1 billion for all reporting establishments in 1985. Operating results are presented as medians, means or quartiles based upon the information provided by the participants. Since all properties did not provide information on each line item, results have been analyzed individually and the results are based on only those supplying the data. For a full explanation of medians and quartiles, please refer to the article entitled "Understanding Medians and Means" on page 28.

General overview

Throughout the state of California, domestic travelers were responsible for 90.3 percent of all occupied rooms in 1985, while the remaining 9.7 percent of business was generated from foreign countries. Nonetheless, all of these guests traveled to California with a specific purpose in mind. Chart 1 (page 12) shows the composition of the lodging market for the state of California in 1985.

As the chart reveals, most business was derived from those guests traveling for business or government purposes, with leisure travelers being the second highest source of business. Compared with the previous year, the percentage of repeat business fell 9.9 percent in 1985, based on all participating establishments. The percentage of conference participants remained low because their trips are typically prearranged and usually are held at a property that has the needed meeting room capacity, such as a designated conference center facility.

In 1985, the occupancy rate fell 8.2 percent to 69.3 percent in California. It cannot be assumed that this was due directly to a decline in the number of travelers. One major factor to this drop in occupancy can be associated with the number of available rooms. Within the last year, there has been a surge in the building of new properties as well as enlarging existing ones. This trend has increased the number of rooms to over 300,000 in 1985, thus having a direct impact on the percentage of occupied rooms in each establishment.

1985 operating results

Illustrating the "typical" property that participated in this year's study proves to be a helpful tool to better understand the analysis presented. A general profile shows these properties having between 150–299 rooms, occupancies ranging from 60–69 percent and an average rate of $63. Additionally, restaurant operations had food and beverage sales greater than 50 percent of their room sales.

In 1985, 60 percent of each dollar generated was earned through guest room rentals. This amount is up 2.2 percent from last year where room sales accounted for 58.7 percent. Food sales justified 25.2 percent of each dollar earned while beverage sales were reported at 8.5 percent of each dollar. The remaining revenue was derived from telephone sales, at 2.5 percent; rentals and other income, 2.2 percent, and minor operated departments, 1.6 percent. The largest expense item was payroll and related expenses, at 36.9 percent. Departmental expenses were 13.5 percent and interest expenses drained 8.5 percent of each dollar received.

As the nation's culture develops, the hotel industry must adapt and utilize these

changes to compete effectively. There have been many technological advancements in the industry, and many properties have begun to take full advantage of them. Results have been based on only those establishments providing data in this area. Central reservation systems are the leading automation in the industry—72.5 percent of the properties are currently operating with one. Second in popularity are computerized front office systems and back office accounting systems, presently in 54.9 and 64.7 percent (respectively) of the facilities surveyed. Other advancements commonly in use are direct dialing/international calls, cable and least-cal routing for guest telephone calls. Only a small percentage reported having automatic checkout machines, microcomputers available for guest use or electronic card key systems.

Total sales for lodging properties are composed of room sales, food and beverage sales, telephone income, minor operated departments, rentals and other miscellaneous income. On the whole, room sales are responsible for the bulk of income, about 74 percent, followed by food sales and the additional sources mentioned. Properties with an average room rate of under $40 reported that 97.7 percent of income was generated through room sales alone. This amount is high because the majority of this group are limited-service properties and do not provide restaurant operations. When comparing hotels versus motor hotels, the latter of the two generates a substantially higher percentage of sales through room rentals rather than food and beverage operations. One reason for this phenomenon is the number and quality of the restaurants—hotels usually provide a variety of eating establishments, ranging from coffee shop to fine dining—while motor hotels provide a limited number of eating facilities. As a result, guests registered in motor hotels may frequently go elsewhere for their meals. Secondly, many hotels offer meal plans that encourage guests to eat at their choice of one of the restaurants in the hotel.

It is important to consider rooms department revenues and expenses when comparing and analyzing those properties having similar operating characteristics. The median net revenue per room for California properties was $13,876 in 1985—or 68.5 percent as a ratio to total sales. Based on the size of the properties, those with less than 150 rooms ranked highest as a percentage as their net revenue, at 96.2 percent as a ratio to total sales.

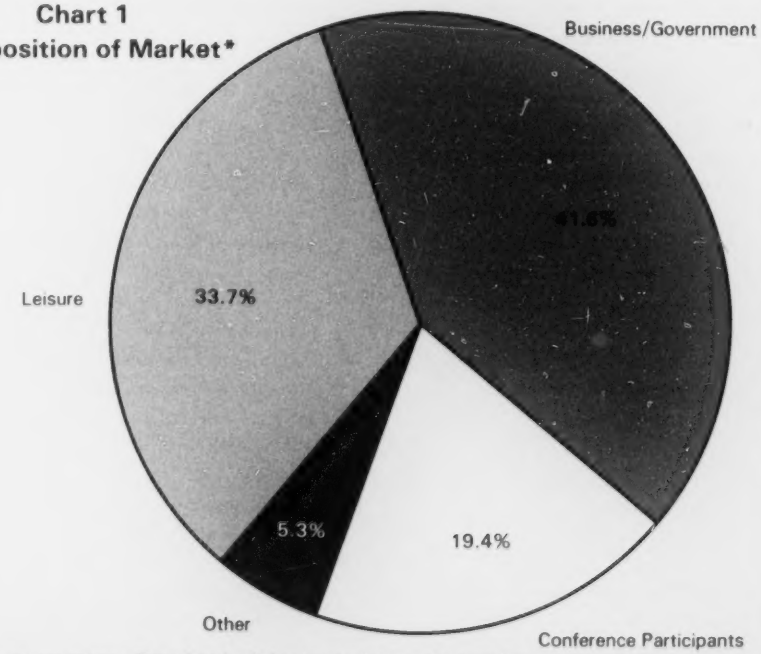
As important as room sales are to many properties, food and beverage operations are also relied on as an additional source of income. For all reporting establishments with restaurants, 71.2 percent of food and beverage revenue were generated through food sales and the remaining through the sale of alcoholic beverages. Departmental expenses, including payroll and related expenses, incorporated a total cost of 59.7 percent as a ratio to total food and beverage sales. Dining room sales generated the most income per seat, $5,800; they also generated the highest amount in the previous year. An in-depth look at the significant performance measures relating to the food and beverage department is presented in Exhibits 9 & 10.

Marketing departments as well as their techniques are becoming increasingly important in the hotel industry. Additionally important is how these departments allocate their money. Properties in resort locations tend to spend more money on print advertising while highway properties lean more heavily toward outdoor advertising—primarily billboards. These highway properties also spend substantially more of their marketing dollar on franchise fees, 45.5 percent, while the next highest were center city properties, which only allocated 18.3 percent to franchise fees.

Comparing energy expenses for 1985 with 1984, the total energy expense per each available room increased 2.6 percent to $1,138. This amount falls 0.4 percent below the median cost for the total United States, which totaled $1,143. It can be determined that the bulk of the expense is derived from electricity and fuel, while water and steam expenses vary throughout the state depending on their location and size.

In taking an overview of 1985 compared with 1986, many challenges lie ahead for the California lodging industry. The industry is at a point where the supply of available rooms has reached an all-time high while, at the same time, major technological changes are taking place. As long as travel remains a major industry in the United States, lodging industry operators can succeed if they provide guests with the service and amenities they seek. For the lodging industry as a whole, market segmentation, tax laws and the accessibility of capital have ignited progressive development in the industry.

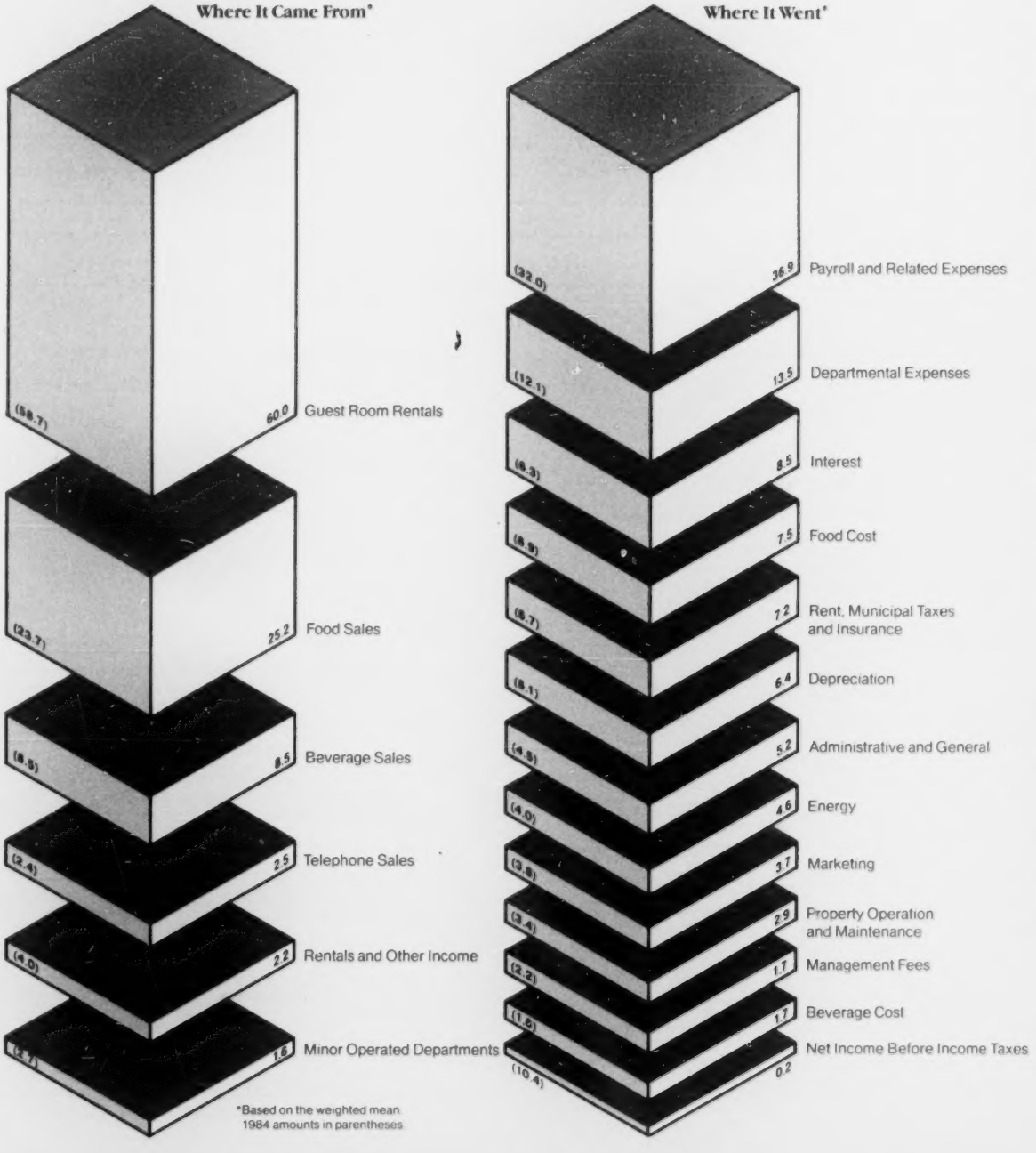
Chart 1
Composition of Market*



*All amount are means. Based on both foreign and domestic travelers.

Chart 2

The California Lodging Industry Dollar 1985



*Based on the weighted mean. 1984 amounts in parentheses

Exhibit 1
Market Data—1985*

	All Establishments	Average Room Rate		
		Under $40.00	$40.00–$54.99	$55.00–$69.99
Source of Business				
Foreign	9.7%	**	11.0%	17.2%
Domestic	90.3	**	89.0	82.8
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Percentage of Repeat Business	**36.3%**	**	**44.1%**	**35.8%**
Composition of Market				
Leisure	33.7%	**	26.9%	44.8%
Business/Government	41.6	**	55.6	36.7
Conference Participants	19.4	**	10.7	15.8
Other	5.3	**	6.8	2.7
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Percentage of Guests with Advanced Reservations	**63.6%**	**	**53.5%**	**61.5%**
Advanced Reservation Mix				
Direct Inquiry	45.2%	**	50.1%	28.7%
Reservation Systems	27.2	**	23.9	38.5
Travel Agent & Tour Operators	18.9	**	17.8	28.8
Hotel Representive	1.2	**	7.4	3.7
Transportation Company	0.5	**	0.8	0.3
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Based on those supplying detail. All figures are means.
**Insufficient response.

Exhibit 2
Distribution of Sales*

	All Establishments	Average Room Rate		
		Under $40.00	$40.00–$54.99	$55.00–$69.99
Sales Distribution				
Cash Sales	30.9%	**	41.2%	33.8%
Credit Card Sales	55.5	**	46.3	56.2
All Other Credit Sales	13.6	**	12.5	10.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Percentage of Cash Sales from Travel Agents & Tour Operators	**15.0%**	**	**21.5%**	**13.3%**
Percentage of Credit Card Sales by Card				
American Express	47.1%	**	36.7%	44.0%
Visa	26.4	**	30.2	22.0
Master Card	17.8	**	21.0	19.2
Diner's Club	5.8	**	7.4	7.4
Other	2.9	**	4.7	7.4
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Based on arithmetic mean.
**Insufficient response.

Exhibit 3
Occupancy and Average Rate*

	1985		
	Lower Quartile	Median	Upper Quartile
Average Room Rate	$44.57	$54.02	$80.81
Average Room Rate (Per Guest)	$25.75	$47.39	$66.63
Occupancy	60.4%	69.3%	77.5%
Double Occupancy	38.2%	68.5%	229.1%

*All figures are medians and quartiles and do not necessarily add to totals shown.

Exhibit 4
Occupancy—By Selected Criteria*

	Percentage of Occupancy	Percentage of Double Occupancy	Average Room Rate
Size			
Under 150 Rooms	71.7%	**	$42.21
150–299 Rooms	67.5	69.8	53.31
300 & Over	70.0	71.3	85.91
Location			
Center City	67.3%	66.7%	$53.54
Suburban	67.2	**	64.77
Airport	70.4	71.3	54.15
Highway	74.5	**	42.09
Resort	77.8	**	95.56
All Establishments	**69.3%**	**68.5%**	**$54.02**

*All figures are medians.
**Insufficient response.

Exhibit 5
Sales Per Guest Day

	All Establishments		
	Lower Quartile	Median	Upper Quartile
Rooms	$25.75	$47.39	$59.57
Food & Beverage	14.24	22.53	36.44
Telephone	1.23	1.88	2.45
Minor Departments	.24	1.08	2.48
Rentals & Other Income	.61	1.12	3.88
Total	**$42.85**	**$72.87**	**$94.76**

Exhibit 6
Composition of Sales*

	All Establishments	Average Room Rate				
		Under $40.00	$40.00–$54.99	$55.00–$69.99	$70.00–$84.99	$85.00 & Over
Rooms	73.9%	97.7%	77.6%	62.8%	65.2%	60.4%
Food	15.9	0.0	12.5	23.5	22.6	25.5
Beverage	5.6	0.0	5.4	7.2	7.3	8.6
Telephone	2.3	0.7	2.8	2.7	2.8	2.3
Minor Operated Departments	0.9	0.3	0.5	1.5	1.0	1.7
Rentals & Other Income	1.4	1.3	1.2	2.3	1.1	1.5

*All amounts are means.

Exhibit 7
Median Ratio to Telephone Department Expenses

	All Establishments*	Owned	Leased
Sales	**100.0%**	**100.0%**	**100.0%**
Cost of Sales			
Cost of Calls	58.0%	58.5%	**
Equipment Rental	2.3	1.3	**
Total Cost of Sales	66.6%	67.2	**
Payroll & Related Expenses	**19.6**	**19.8**	**
All Other Expenses	**N**	**0.0**	**
Total Department Expenses	88.9%	83.8%	**
Net Department Income (Loss)	**$7.73**	**$7.51**	**

*Includes properties not providing information specifying ownership of equipment.
**Insufficient response.
N — Negligible.

Size of Property				Type of Establishment		
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Hotel	Motor Hotel	Economy/Limited Service
90.1%	65.2%	60.2%	58.1%	62.9%	85.2%	98.6%
4.9	20.7	26.6	25.9	23.1	7.5	0.0
1.9	8.8	8.0	8.3	8.4	2.2	0.0
1.9	2.4	2.7	2.5	2.7	3.3	0.1
0.4	1.0	1.4	1.8	1.3	0.7	0.2
0.8	1.9	1.1	3.4	1.6	1.1	0.1

Exhibit 8
Rooms Department
Median Amounts Per Room and Ratio to Total Sales*

Amount Per Room	All Establishments	Size of Property		
		Under 150 Rooms	150–299 Rooms	300–600 Rooms
Revenue				
Room Sales	$13,446	$10,963	$12,802	$18,663
Allowances	119	79	119	122
Net Revenue	$13,876	$10,897	$13,167	$20,243
Expenses				
Payroll & Related	$ 2,687	$ 1,722	$ 2,157	$ 3,791
Travel Agent Commissions and Reservation Expense	367	163	294	646
Contract Cleaning, Dry Cleaning, Linen & Laundry	340	181	178	600
Operating Supplies	246	198	230	426
All Other Expenses	278	259	351	252
Total Departmental Expenses	$ 3,469	$ 2,217	$ 3,043	$ 5,933
Net Departmental Income	**$10,490**	**$ 8,587**	**$10,123**	**$14,484**
Ratio to Total Sales				
Net Revenue	68.5%	96.2%	63.9%	59.7%
Payroll & Related Expenses	12.0	14.0	10.5	10.7
Net Departmental Income	52.0%	74.5%	45.9%	43.0%

*All figures are medians and do not necessarily add to totals shown.

Exhibit 9

Food and Beverage Operations

Ratios of Total Food and Beverage Sales—By Selected Criteria*

	All Establishments	Restaurant Operated—Food and Beverage Sales as a Ratio to Room Sales		
		Under 50%	50–74%	75–99%
Sales				
Food	71.2%	74.8%	68.8%	70.7%
Beverage	28.7	25.4	31.2	29.3
Total	100.0%	100.0%	100.0%	100.0%
Cost of Sales**				
Food	39.6%	34.7%	32.7%	34.9%
Beverage	22.0	23.3	22.3	20.0
Total	30.3	31.9	28.5	30.4
Gross Profit	69.7	68.3	71.8	69.6
Public Room Sales	3.5	4.4	4.1	2.1
Other Income	1.5	1.0	1.8	2.1
Total	72.7%	71.4%	74.1%	73.9%
Departmental Expenses				
Payroll & Related Expenses	46.2%	50.3%	44.0%	35.7%
China, Glassware, Silver & Linen	1.3	1.5	1.5	1.3
Contract Cleaning	0.2	0.2	0.2	0.1
Laundry & Dry Cleaning	1.0	1.1	0.7	1.2
Operating Supplies	2.2	2.6	1.6	2.3
Uniforms	0.5	0.6	0.4	0.5
All Other Operating Expenses	5.6	6.1	5.2	5.8
Total	**59.7%**	**64.5%**	**52.6%**	**45.6%**
Departmental Income	**14.1%**	**10.3%**	**20.2%**	**28.2%**

*All figures are medians and do not necessarily add to totals shown.
**Cost of sales ratios, except total cost of sales, are shown as a percentage of corresponding sales.

Exhibit 10
Food and Beverage Statistics—By Selected Criteria*

	Restaurant Operated			
	All Establishments	Under 50%	50–74%	75–99%
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,370	$2,659	$3,707	$3,750
Room Service	723	484	840	623
Banquet	3,321	1,691	3,587	5,422
Bar/Lounge	85	95	233	**
Total	**$7,218**	**$4,296**	**$8,403**	**$9,886**
Ratio to Total Food Sales				
Dining Room	48.0%	57.1%	45.2%	35.9%
Room Service	8.0	9.9	8.3	6.5
Banquet	44.3	31.4	45.2	53.9
Bar/Lounge	1.1	1.1	2.4	**
Amount Per Seat				
Dining Room	$5,800	$5,473	**	**
Banquet	894	843	**	$1,450
Bar/Lounge	200	252	**	**
Total	**$2,640**	**$4,548**	**	**$2,444**
Average Check				
Dining Room	$ 9.55	$ 8.32	$ 10.14	$ 12.81
Room Service	7.55	7.82	7.51	7.19
Banquet	16.29	15.05	17.15	18.67
Total	**$ 11.26**	**$ 8.93**	**$ 28.18**	**$ 24.80**
Covers Served Per Seat				
Dining Room	$ 659	$ 669	$ 563	$ 659
Banquet	79	77	**	79
Room Service Sales				
Per Occupied Room				
Food	$ 2.74	$ 2.26	$ 3.03	$ 3.16
Beverage	.65	.34	.70	.78
Total	**$ 3.31**	**$ 2.26**	**$ 3.54**	**$ 4.19**
Per Guest				
Food	$ 1.25	$ 1.48	$ 1.09	$ 4.36
Beverage	.26	.22	.25	1.38
Total	**$ 1.37**	**$ 1.50**	**$ 1.26**	**$ 5.74**

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 10
(continued)*

	Restaurant Operated			
	All Establishments	Under 50%	50–74%	75–99%
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 840	$ 545	$1,275	1,854
Room Service	157	95	191	178
Banquet	730	311	1,034	1,275
Bar/Lounge	1,439	973	1,790	2,930
Total	**$2,659**	**$1,504**	**$3,255**	**$3,796**
Ratio to Beverage Sales				
Dining Room	43.9%	40.4%	43.9%	40.4%
Room Service	6.4	6.9	6.7	4.3
Banquet	29.2	21.7	29.9	30.9
Bar/Lounge	52.8	60.9	53.9	36.1
Ratio to Food Sales				
Dining Room	26.9%	25.7%	32.8%	41.6%
Room Service	25.3	21.1	28.5	29.6
Banquet	21.6	18.8	23.2	23.5
Total (Including Bar/Lounge)	**34.9%**	**31.3%**	**37.6%**	**42.1%**
Amount Per Seat				
Dining Room	$ 991	$ 450	$1,131	**
Banquet	212	122	207	$ 311
Bar/Lounge	3,057	3,860	2,979	**
Total	**$1,030**	**$1,186**	**$4,748**	**$ 965**

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 11

Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales*

	Size of Property			Location of Property				
	Under 150 Rooms	150–299 Rooms	Over 300 Rooms	Center City	Suburban	Airport	Highway	Resort
Telephone								
Sales	$478	$717	$950	$742	$740	$578	$431	$1,077
Cost of Sales								
Cost of Calls	404	385	458	494	421	351	353	440
Equipment Rental	54	91	45	130	42	42	73	51
Total	**394**	**456**	**529**	**521**	**454**	**412**	**368**	**553**
Payroll & Related Expenses	312	177	261	295	219	242	**	273
All Other Expenses	55	22	23	28	48	15	**	60
Total Dept. Expenses	**$393**	**$582**	**$830**	**$757**	**$703**	**$497**	**$382**	**$ 781**
Net Department Income (Loss)	$111	$ 57	$ 67	$ 99	$ 83	$ 45	$105	$ 18
Minor Departments								
Sales	$ 24	$126	$427	$439	$167	$ 65	**	$ 352
Cost of Sales	13	105	128	99	123	**	**	219
Payroll & Related Expenses	**	251	251	338	207	181	**	178
Other Expenses	**	137	26	25	43	9	**	195
Total Dept. Costs & Expenses	**	**$340**	**$366**	**$166**	**$422**	**$199**	**	**$ 521**
Net Department Income (Loss)	$ 3	$ 37	$ 70	$ 72	$ 37	$ 11	$ 14	$ 58
Rentals & Other Income								
Space Rentals	**	$ 97	$187	$187	$ 94	$130	**	$ 227
Concessions	10	52	123	32	65	16	9	**
Commissions	1	15	88	4	21	7	25	**
Other	27	163	121	72	190	57	21	171
Total Departmental Income	**$ 40**	**$301**	**$380**	**$106**	**$297**	**$120**	**$ 42**	**$ 577**
Ratio to Total Sales								
Telephone								
Sales	3.6%	2.8%	2.7%	3.2%	2.8%	2.7%	2.8%	2.0%
Cost of Sales	2.6	2.0	1.7	2.0	1.7	1.9	2.6	1.2
Payroll & Related Expenses	1.2	0.6	0.7	0.9	0.7	0.7	**	0.6
Net Income (Loss)	0.7%	0.2%	0.2%	0.4%	0.3%	0.2%	0.4%	N
Minor Departments								
Sales	0.2%	0.5%	1.4%	1.6%	0.6%	0.3%	0.3%	1.1%
Cost of Sales	0.1	0.3	0.4	0.3	0.4	0.2	**	0.6
Payroll & Related Expenses	**	0.9	0.8	1.2	0.8	0.6	**	0.5
Net Income (Loss)	N	0.1%	0.3%	0.3%	0.1%	0.1%	0.1%	0.2%
Rentals & Other Income								
Space Rentals	0.4%	0.4%	0.6%	0.6%	0.3%	0.5%	0.3%	0.7%
Concessions	0.1	0.2	0.3	0.2	0.3	0.1	0.1	0.3
Commissions	N	0.1	0.2	N	0.1	0.1	0.1	**
Other	0.2	0.7	0.4	0.3	0.7	0.2	0.2	0.4
Net Income (Loss)	0.4%	1.1%	1.1%	0.6%	1.0%	0.6%	0.4%	1.1%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.
N — Negligible.

Exhibit 12
Analysis of Administrative and General Expenses —Ratio to Total Sales*

	All Establishments	Size of Property		
		Under 150 Rooms	150–299 Rooms	Over 300 Rooms
Payroll & Related Expenses	4.6%	3.9%	4.6%	4.8%
Bad Debts	0.2	0.1	0.2	0.1
Credit Card Commissions	1.4	1.4	1.3	1.4
Data Processing Service	0.2	0.5	0.2	0.1
Insurance (General)	0.7	1.3	1.1	0.6
Licenses & Dues	0.1	0.2	0.1	0.1
Operating Supplies	0.4	0.5	0.3	0.3
Professional Fees	0.3	0.3	0.3	0.2
Security	0.2	0.3	0.5	N
Travel & Entertainment	0.2	0.2	0.2	0.1
All Other Expenses	1.0	2.0	1.0	1.0
Total	**9.2%**	**8.9%**	**10.1%**	**8.9%**

*All figures are medians.
N — Negible.

Exhibit 13
How the Marketing Dollar Was Allocated*

	Mean, All Establishments	Location of Property				
		Center City	Suburban	Airport	Highway	Resort
Payroll & Related Expenses	**20.9%**	**18.2%**	**29.2%**	**22.5%**	**7.4%**	**31.6%**
Sales Expenses	**7.5**	**6.6**	**8.1**	**8.8**	**3.4**	**13.8**
Advertising Expenses						
Print	11.3%	7.3%	12.9%	13.1%	13.7%	16.9%
Radio and TV	2.1	2.2	2.1	3.2	0.0	2.3
Outdoor	4.2	3.6	2.9	4.2	11.3	0.3
Other	10.5	9.1	14.1	15.3	8.8	4.9
Merchandising	**1.7**	**2.0**	**1.2**	**0.9**	**1.0**	**2.6**
Public Relations	**2.5**	**1.5**	**2.9**	**1.3**	**0.8**	**6.9**
Franchise Fees	**18.8**	**18.3**	**14.5**	**12.4**	**45.5**	**7.1**
All Other Expenses	**20.5**	**31.2**	**12.1**	**18.3**	**8.1**	**13.6**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*All amounts are means.

Exhibit 14

Energy Expenses—Amounts Per Available Room and Costs Per Occupied Room Per Day*

	Amounts Per Available Room			Cost Per Occupied Room Per Day		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Electricity	$310	$ 659	$1,023	$1.39	$2.72	$4.00
Fuel	135	236	379	.55	1.05	1.56
Steam	26	47	123	.12	.19	.40
Water	54	90	138	.23	.33	.51
Total Energy Expenses	**$788**	**$1,138**	**$1,599**	**$2.88**	**$4.55**	**$6.32**
Total United States	**$908**	**$1,150**	**$1,495**	**$3.66**	**$4.85**	**$6.58**

*Based on those hotels supplying detail.

Exhibit 15

Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Size of Property			Location of Property			
	All Establishments	Under 150 Rooms	150-299 Rooms	300 Rooms and Over	Center City	Suburban	Airport	Highway
Amount Per Room								
Rent	$ 609	$ 595	$ 685	$ 854	$ 553	$ 655	$ 590	$ 609
Property Taxes	269	176	383	858	196	412	403	268
Property insurance	98	87	218	81	76	116	98	182
Interest Expense	924	365	1,624	5,795	398	3,100	1,477	1,247
Depreciation & Amortization	1,667	1,017	1,957	2,625	1,290	2,084	1,741	994
Total Fixed Charges	**$3,663**	**$2,255**	**$4,499**	**$8,022**	**$3,347**	**$4,478**	**$4,104**	**$2,184**
Ratio to Total Sales	**24.3%**	**23.7%**	**26.6%**	**20.6%**	**25.9%**	**20.2%**	**20.7%**	**18.9%**

*Based on those supplying detail. All figure are medians and do not necessarily add to totals shown.

Exhibit 16

Summary Statement of Income and Expenses
Amount per Available Room*

	All Establishments	Size of Property		
		Under 150 Rooms	150–299 Rooms	300–600 Rooms
Average Annual Occupancy	**69.3%**	**71.7%**	**67.5%**	**70.0%**
Average Annual Room Rate	**$ 54.02**	**$ 42.21**	**$ 53.31**	**$ 85.91**
Revenues				
Rooms	$13,876	$10,897	$13,167	$20,243
Food	7,217	5,808	5,411	8,520
Beverage	2,658	2,249	2,590	2 /57
Other Food & Beverage	447	249	502	619
Telephone	721	478	717	950
Minor-Operated	225	24	125	426
Rentals & Other Income	200	39	301	380
Total	**$21,472**	**$11,701**	**$22,844**	**$34,844**
Department Expenses				
Rooms	$ 3,40[illegible]	$ 2,216	$ 3,043	$ 5,932
Food & Beverage	6,002	**	3,980	7,652
Telephone	628	393	582	830
Minor-Operated	260	7	340	366
Total	**$ 7,687**	**$ 2,488**	**$ 7,949**	**$14,357**
Department Profit				
Rooms	$10,490	$ 8,587	$10,123	$14,484
Food & Beverage	1,220	250	1,130	1,835
Telephone	76	111	57	67
Minor-Operated	36	3	37	70
Rentals & Other Income	200	40	301	380
Total	**$12,048**	**$ 8,785**	**$12,274**	**$16,822**
Undistributed Operating Expenses, Administrative & General				
Payroll & Related	$ 1,116	$ 628	$ 1,099	$ 1,858
Other	1,113	623	1,255	1,445
Total	**$ 2,058**	**$ 1,267**	**$ 2,217**	**$ 3,310**
Marketing				
Payroll & Related	$ 561	$ 62	$ 404	$ 689
Other	758	460	847	1,186
Total	**$ 933**	**$ 537**	**$ 1,119**	**$ 1,848**
Energy Costs	**$ 1,138**	**$ 625**	**$ 1,122**	**$ 1,477**
Property Operations & Maintenance	**$ 1,144**	**$ 786**	**$ 981**	**$ 2,142**
Total Undistributed Operating Expenses	**$ 5,303**	**$ 2,630**	**$ 5,358**	**$ 8,616**
Income Before Management Fees	6,484	5,925	6,215	8,614
Management Fees (Base & Incentive)	722	543	975	1,056
Income Before Fixed Charges	5,932	5,546	5,808	7,644
Fixed Charges	**$ 3,663**	**$ 2,255**	**$ 4,498**	**$ 8,021**
Income Before Income Taxes	**$ 1,939**	**$ 2,857**	**$ 659**	**$ 1,357**
Reserve for Capital Replacement	**$ 1,500**	**	**	**

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Location of Property				
Center City	Suburban	Airport	Highway	Resort
67.3%	**67.2%**	**70.4%**	**74.5%**	**77.8%**
$ 53.54	**$ 64.77**	**$ 54.15**	**$ 42.09**	**$ 95.56**
$13,018	$15,944	$13,774	$10,632	$26,698
6,217	7,217	6,161	2,324	10,084
2,458	2,958	1,944	882	4,008
619	502	401	366	347
742	740	578	431	1,076
439	166	64	24	351
115	296	119	42	576
$19,639	**$27,158**	**$20,319**	**$11,866**	**$41,066**
$ 3,155	$ 4,532	$ 3,810	$ 1,896	$ 5,833
5,268	5,513	4,802	1,724	8,547
757	703	497	382	780
166	422	199	••	521
$ 6,845	**$10,798**	**$ 7,686**	**$ 2,554**	**$15,217**
$ 9,758	$12,303	$11,052	$ 8,179	$19,494
1,152	1,846	1,937	801	704
99	83	45	105	18
72	37	11	14	58
106	297	120	42	576
$10,239	**$13,379**	**$12,034**	**$ 8,658**	**$19,637**
$ 739	$ 1,194	$ 1,147	$ 943	$ 1,927
1,053	1,428	815	609	1,503
$ 1,896	**$ 3,080**	**$ 1,930**	**$ 1,545**	**$ 3,433**
$ 616	$ 658	$ 475	$ 60	$ 814
577	1,064	819	565	1,342
$ 887	**$ 1,399**	**$ 1,050**	**$ 604**	**$ 2,118**
$ 962	**$ 1,250**	**$ 1,100**	**$ 671**	**$ 1,671**
$ 1,116	**$ 1,034**	**$ 1,254**	**$ 577**	**$ 2,570**
$ 4,501	**$ 7,388**	**$ 5,815**	**$ 2,592**	**$10,159**
5,929	6,305	6,861	6,134	11,396
612	1,016	722	543	1,138
5,713	5,030	7,644	5,655	10,695
$ 3,347	**$ 4,478**	**$ 4,104**	**$ 2,183**	**$ 8,281**
$ 1,724	**$ (442)**	**$ 2,443**	**$ 3,492**	**$ 3,008**
••	••	••	••	••

Exhibit 17

Summary Statement of Income and Expenses
Ratio to Total Sales*

	All Establishments	Size of Property		
		Under 150 Rooms	150–299 Rooms	300–600 Rooms
Average Annual Occupancy	**69.3%**	**71.6%**	**67.5%**	**70.0%**
Average Annual Room Rate	**$54.01**	**$42.21**	**$53.31**	**$85.91**
Revenues				
Rooms	68.5%	96.2%	63.9%	59.7%
Food	23.0	19.4	20.4	23.9
Beverage	8.5	8.2	9.9	8.1
Other Food & Beverage	1.7	0.8	2.0	1.7
Telephone	2.7	3.6	2.8	2.7
Minor-Operated	0.6	0.2	0.5	1.4
Rentals & Other Income	0.7	0.4	1.0	1.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Department Expenses				
Rooms	17.4%	19.5%	15.0%	16.8%
Food & Beverage	19.2	14.0	17.3	20.1
Telephone	2.5	2.6	2.7	2.4
Minor-Operated	1.0	0.0	1.0	1.2
Total	**32.8**	**23.5**	**35.0**	**40.5**
Department Profit				
Rooms	52.0%	74.5%	45.9%	43.0%
Food & Beverages	5.4	1.3	5.4	5.4
Telephone	0.2	0.7	0.2	0.2
Minor-Operated	0.1	0.0	0.1	0.2
Rentals & Other Income	0.7	0.4	1.0	1.0
Total	**53.9%**	**76.4%**	**57.4%**	**51.7%**
Undistributed Operating Expenses, Administrative & General				
Payroll & Related	4.6%	3.9%	4.6%	4.7%
Other	4.4	4.8	5.2	4.0
Total	**9.1%**	**8.9%**	**10.1%**	**8.9%**
Marketing				
Payroll & Related	1.8%	0.6	1.8	2.0
Other	3.7	4.5	3.3	3.5
Total	**5.0%**	**4.8**	**5.0**	**5.5**
Energy Costs	**4.2%**	**4.1%**	**4.9%**	**3.9%**
Property Operations & Maintenance	**5.1%**	**5.7%**	**4.1%**	**5.2%**
Total Undistributed Operating Expenses	**24.1%**	**20.9**	**25.6%**	**25.4%**
Income Before Management Fees	35.1	54.3	30.7	25.5
Management Fees (Base & Incentive)	3.4	5.0	3.5	2.9
Income Before Fixed Charges	33.8	54.2	27.7	24.6
Fixed Charges	**24.3%**	**23.7%**	**26.6%**	**20.6%**
Income Before Income Taxes	**10.6%**	**27.5%**	**3.5%**	**3.6%**
Reserve for Capital Replacement	**12.3%**	**	**	**

*All amounts are medians and do not necessarily add to totals shown. All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.
**Insufficient response.

Location of Property				
Center City	Suburban	Airport	Highway	Resort
67.2%	**67.1%**	**70.4%**	**74.5%**	**77.7%**
$53.53	**$64.76**	**$54.14**	**$42.09**	**$95.55**
85.9%	56.9%	66.2%	94.3%	62.6%
20.9	25.0	22.3	19.2	24.4
7.2	9.9	8.1	7.3	9.2
1.7	1.7	1.9	2.3	0.8
3.2	2.8	2.7	2.8	1.9
1.6	0.6	0.3	0.3	1.0
0.6	**1.0**	**0.6**	**0.4**	**1.1**
100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**
20.2%	16.8%	17.8%	15.3%	13.0%
17.4	20.4	17.4	12.8	20.5
2.8	2.3	2.4	2.6	1.7
0.5	1.3	0.6	••	1.9
30.3	**38.8**	**35.5**	**23.5**	**36.7**
59.0%	42.3%	47.5%	73.3%	45.0%
4.6	5.5	7.1	6.5	3.1
0.3	0.3	0.2	0.3	0.0
0.2	0.0	0.0	0.0	0.1
0.6	1.0	0.5	0.3	1.1
63.6%	**50.1%**	**57.0%**	**76.5%**	**55.1%**
4.1%	4.8%	5.2%	6.3%	4.0%
4.4	4.6	3.8	5.4	3.7
8.9%	**10.1%**	**9.2%**	**11.2%**	**8.4%**
1.8	2.3	1.5	0.6	1.8
3.5	3.6	4.4	5.2	2.9
4.8	**5.3**	**5.1**	**5.5**	**5.2**
4.0%	**4.6%**	**4.5%**	**4.5%**	**3.8%**
5.7%	**4.2%**	**5.1%**	**3.7%**	**6.1%**
23.5%	**26.0%**	**25.0%**	**20.7%**	**23.1%**
40.5	26.8	33.2	56.0	29.5
5.0	3.4	2.9	5.0	2.9
44.8	18.0	30.3	54.2	28.3
25.9%	**20.2%**	**20.7%**	**18.9%**	**18.1%**
12.7%	**5.4%**	**8.0%**	**26.3%**	**8.6%**
••	••	••	••	••

UNDERSTANDING MEDIANS & MEANS

The annual studies written by the Research Division of Laventhol & Horwath utilize medians for the majority of their reported results. This article will give an in-depth explanation on medians and quartiles, as well as briefly discuss means, along with practical uses of both.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In conjunction with medians, lower and upper quartiles are used to give a further description to the sample results. Occasionally, we use means to report data, but we believe the median is the most appropriate method to report our results. This is because the median gives less biased results. Medians keep results from being skewed by one or two respondents. For example, if a few responding hotels incurred large operating losses, these losses would be divided evenly among all hotels in the sample (when using mean calculations); and bring down the average net profit of the entire group, which for the most part may have had respectable profits.

Quartiles divide the responses into four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

While reading this report, it should become evident that columns do not total when medians are involved. The reason behind this is EACH LINE ITEM IS ANALYZED SEPARATELY! In Table I when all amounts are arranged sequentially, the median amount per room for total revenue is $22,405. This figure is based on the 60 properties that gave us information for this specific line item.

Theoretically, if each property reported each line item, and one property happened to have the median value for each type of revenue, then the medians would total. But since not every property has a food and beverage operation, or a minor department, the sample size changes for each line item. Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate properties, even though the sample size of each may be equal. This also holds true for lower and upper quartile figures.

The terms mean, average, and arithmetic mean are all synonymous. A mean is calculated by summing the results and dividing by the number of responses. In Table II, the sum of the number of restaurant seats is 1,940. Divide this by the nine respondents and the mean (average) is 216 seats per restaurant. By comparison, the median number of seats is 140. It is obvious that the average is skewed by the two restaurants with 500 and 600 seats.

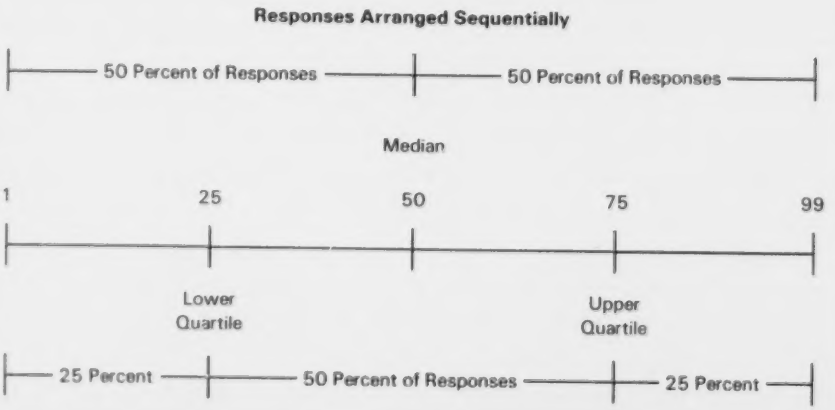


Table I

	Amount Per Room		
	Lower Quartile	Median	Upper Quartile
Revenues			
Rooms	$13,587	$18,098	$24,130
Food	1,038	3,664	6,564
Beverage	251	1,300	3,147
Other Food & Beverage	95	180	396
Telephone	429	668	881
Minor-Operated	104	389	1,073
Rentals & Other Income	100	250	525
Total	$14,729	$22,405	$30,548

Table II
Restaurant Seating

Hotel Restaurant	Number of Seats	Average Daily Seat Turnover	Number Seats Occupied Daily (Column 1 × Column 2)
1	60	3.80	228
2	80	4.20	336
3	100	3.70	370
4	120	2.90	348
5	140	2.00	280
6	160	1.70	272
7	180	1.90	342
8	500	1.20	600
9	600	1.00	600
Total	1,940	22.40	3,376
Median	140	2.00	342[1]
Average (rounded)	216	2.49	538

[1]The median number of seats occupied daily is 342 (the middle value of column 3). Notice that this is not equal to the product of the median number of seats multiplied by the median average daily seat turnover, which is 280. It is incorrect to use medians in calculations, such as addition or multiplication.

Table II shows a group of hotels that provided information on the number of restaurant seats available. They also provided the number of guests served, so the average daily seat turnover was calculated. The average number of seats for this sample is approximately 216 (1,940 divided by 9) and the median number of seats is 140 (the middle value of all respondents when responses are arranged sequentially). The average seat turnover is 2.49 and the median is 2.00. With this information, the mean and median for the number of seats occupied daily can be calculated.

- The median number of seats occupied daily is 342 (the middle value of column 3).
- To compute the average number of seats occupied per day, multiply the average number of seats per restaurant of 216 by the average daily seat turnover of 2.49. This gives the average daily seat turnover of approximately 538. The mean number of seats is greatly influenced by the two large properties with 500 and 600 seats.

As shown, median and means both have their uses, with medians not being affected by one or two responses that vary significantly from the rest of the sample. This is the main reason the majority of our studies report the data as medians.

**The number used for sample sizes are representative and are not actual sample sizes.*

EXPLANATION OF TERMS

Room sales

Guest room revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

Rentals and Other Income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

Payroll and Related Expenses—Rooms Department

The salaries and wages of departmental personnel and management including: overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

Payroll and Related Expenses—Administrative and General

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

Undistributed Operating Expenses—Administrative and General

Expenses incurred from bad debts, credit cards commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

Energy

The costs of fuel, electrical current and water.

Payroll and Related Expenses—Property Operation and Maintenance

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures and equipment, in addition to all other expenses necessary to keep the property in operating condition.

Property Operation and Maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

Management Fees

Fees charged by a management organization for management service or supervision should be charged to the account.

Income Before Fixed Charges

Income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income, and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

PROPERTY ANALYSIS WORKSHEET

This worksheet will provide a quick analysis of how your property is performing in comparison to the industry.

Worksheet
(Use medians from exhibits)

Amount Per Available Room	Your Property	Comparison 1	Comparison 2
Average Annual Occupancy			
Average Annual Room Rate			
Revenues			
Rooms			
Food			
Beverage			
Other Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Department Expenses			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Total			
Department Profit			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Undistributed Expenses			
Administrative & General			
Payroll & Related			
Other			
Total			
Marketing			
Payroll & Related			
Other			
Total			
Energy			
Property Operations & Maintenance			
Total Undistributed Expenses			
Income Before Management Fees			
Management Fees (Base & Incentive)			
Income Before Fixed Charges			
Fixed Charges			
Income Before Income Taxes			
Reserve for Capital Replacement			

LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, specialized in providing sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as advisor to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing, operating and marketing lodging properties.

The following list contains the services that L&H provides to the lodging industry as well as the contact person:

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